

JPRS 79145

6 October 1981

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2184



FOREIGN BROADCAST INFORMATION SERVICE

#### NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.


Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

#### PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.



6 October 1981

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2184

### CONTENTS

#### CZECHOSLOVAKIA

Counterplanning Explained in Example (Kozelkova Interview; RUDE PRAVO, 13 Aug 81) .....	1
Streamlining, Savings in Production Stressed (Ladislav Riha; PLANOVANE HOSPODARSTVI, No 7, 1981) .....	4
Sales of L-410 Aircraft, Modifications Discussed (Stanislav Boura Interview; LETECTVI A KOSMONAUTIKA, No 16, 1981) .....	11
Piecework Pay, Quality Production Urged (Editorial; RUDE PRAVO, 5 Aug 81) .....	18

#### HUNGARY

Hungarian Foreign Trade Performance in 1980 Analyzed (Imre Csordas, Jozsef Szatmari; FIGYELO, 12 Aug 81) .....	21
---	----

#### POLAND

Six Month Production Figures Assessed (ZYCIE GOSPODARCZE, 19 Jul 81) .....	26
---	----

#### ROMANIA

Emphasis on Faster Discovery, Recovery of New Coal Deposits (Stelian Comeaga, Gheorghe Draghici; REVISTA ECONOMICA, 21 Aug 81) .....	30
--	----

COUNTERPLANNING EXPLAINED IN EXAMPLE

Prague RUDE PRAVO in Czech 13 Aug 81 p 5

[Interview with the Eng Kozelkova, staff member of the State Planning Commission, by RUDE PRAVO reporter Michal Ac; Date and place not given]

[Text] Recently our workers have been paying increased attention to counterplanning. This is understandable because some past "rules of the game" have changed and thus the questions asked to gain understanding of the new rules are legitimate. A frequently asked question is what benefits will accrue to factories and individuals from counterplanning and whether the risk is not likely to be greater than the effect resulting in increased material incentive payments when the more ambitious plan is fulfilled. Therefore, we have addressed several questions to Eng Eva Kozelkova, a staff member of the State Planning Commission.

[Question] Until now overfulfillment of planned tasks did not result in markedly improved remuneration. Enterprises which did not care to "complicate their lives" by trying to achieve better results could expect almost the same reward as those which made the effort to uncover all the hidden reserves they could at the time of preparation of the plan. How does counterplanning meet the need for more discriminating material incentives?

[Answer] The material incentive basis of counterplanning is to reward enterprises pledging to improve on the tasks set by the five-year plan or on the guidelines suggesting annual quotas at the time when the annual plan is being prepared. The rewards granted such enterprises will exceed those earned by enterprises which simply manage to surpass the plan without prior pledging.

It is natural that failure to fulfill assigned tasks in accordance with khozraschet principles is penalized. Here a very important change from past practice has occurred which needs to be emphasized. In the past, failure to fulfill even a voluntary pledge to exceed the plan meant a rather severe penalty. The new measures, which will take effect in 1982, are designed to alleviate fears arising from the assumption of a certain risk connected with pledging. Therefore, it needs to be stressed that enterprises pledging to exceed the five-year plan or the guideline for the annual plan and then do not succeed in meeting their pledge in all respect will receive a higher reward than enterprises which did not pledge but have nevertheless succeeded in exceeding the plan. Naturally, this principle governing rewards will be applied only



if qualitative indicators of the assigned tasks meet those stipulated in the five-year plan or the guidelines for the annual plan.

[Question] Could you give us an example of how the new rules will be applied in practice?

[Answer] The application of the above-mentioned principle in practice and the specific wage benefits accruing from it can be illuminated by pointing to the increased profitability of production funds, i.e., to the indicator on which the incentive wage component depends. Let us assume an enterprise expected by the guideline to show an 8 percent return on capital assets with the corresponding allocation of Kcs 10 million for wage incentives. The management of the enterprise, weighing how to fulfill the task best and what inputs to use, has to decide between three alternatives. The first alternative involves pledging to raise fulfillment of the task set by the guideline by one-tenth (i.e., to 8.8 percent) which would yield Kcs 11 million for the incentive wage component as a result of having exceeded the approved state plan. The second alternative also assumes pledging to exceed the guideline by one-tenth but with the pledge implemented only partially (to 8.4 percent) and the incentive wage component amounting to Kcs 10.5 million corresponding to that level of fulfillment (95.45 percent). The last alternative assumes fulfilling the task only as specified by the guideline. Then, when the enterprise exceeds the plan by 10 percent, the incentive wage component in this case will be Kcs 10.4 million because, in computing the true incentive wage component, the disadvantaging conversion coefficient comes into play. In this case it is assumed that the enterprise belongs to an industrial sector assigned the 0.4 coefficient.

The above example demonstrates that the enterprise will gain the greatest material advantage by choosing the first alternative when the plan is exceeded as a result of pledging. At the same time it is evident that by pledging to exceed the plan at the time of its preparation the enterprise will earn more money than by simply exceeding the plan during implementation even if it does not succeed in fulfilling the pledge fully.

The above example also demonstrates one very important aspect of counterplanning. Failure to fulfill the pledge to exceed the plan (except in case of underfulfillment of the five-year plan or the annual guideline) does not penalize the enterprise, which otherwise is the standard procedure in case of failure to fulfill the plan. Naturally, enterprises, collective and individuals who correctly perceive the needs of society but whose efforts do not succeed by 100 percent do not deserve to be penalized.

[Question] From what has been said, it follows that fears of taking the risk by accepting counterplanning are unfounded. As a matter of fact, by pledging an enterprise will acquire greater means for payment of incentives than by exceeding planned tasks without pledging even if it should not succeed in fulfilling its pledge by 100 percent. But what about the workers in the collective, the individuals?

[Answer] One of the most important stipulations of counterplanning is explaining the tasks and conditions governing material incentives to individual subdivisions of the enterprise and converting them into indicators which everybody can understand and which reflect clearly the advantage accruing to individuals and collectives. For example, the workers must be informed how pledging to exceed the plan and reduce

thereby the material consumption standard etc. will be reflected in their wages. Counterplanning can become an effective method of helping to draft annual plans which aim at uncovering and utilizing hidden reserves only if the new rules are conceived in such specific and self-evident terms. The success of counterplanning will depend primarily on the ability of economic managements and trade union organizations to acquaint workers with the tasks at hand and rules and indicators to involve them in fulfilling the annual plan.

In this context it needs to be stressed again that counterplanning is a form of worker participation in management which, to put it succinctly, means more productive utilization and greater supply of resources, improved efficiency and quality of production, all of which contribute directly or indirectly to improved and fuller satisfaction of societal needs. In enterprises, it has a broad rationalizing impact on the preparatory stage of drafting plans which include specific measures designed to improve management and organizational work at all levels of economic production units. The full impact of all the rationalization efforts by workers will be potentiated if the decision making processes at higher management levels are also improved as a result.

[Interviewer] Thank you for the interview.

8664

CSO: 2400/303

STREAMLINING, SAVINGS IN PRODUCTION STRESSED

Prague PLANOVANE HOSPODARSTVI in Czech No 7, 1981 pp 11-19

[Article by Eng Ladislav Riha, ScD, university lecturer, Ministry of Construction and Technology of the CSR: "Further Attention to the Comprehensive Socialist Rationalization Program"]

[Excerpts] The comprehensive socialist rationalization program is based on systematic evaluation of progressive knowledge and experience gained during the building of socialism and in its administration. At the same time, it must be systematically enriched with scientific achievements. Scientific knowledge penetrating into the process of rationalization will act as an increasingly more relevant factor determining the character of the process of rationalization. In order to meet the demand of comprehensiveness, the purpose of rationalization must be improvement of individual operations in every connection, relation and consequence.

The assignment called for planning of a program for comprehensive socialist rationalization. This correct and necessary focus became directly reflected in the fulfillment of the tasks of the Fifth Five-Year Plan. The comprehensive socialist rationalization program contributed to a decisive degree to our entire national economy in reducing the requirements of materials and energy and in better utilization of work forces. Furthermore, it became an important factor in more expeditious exploitation of those scientific and technological achievements that were not investment-intensive; it also contributed toward better exploitation of fixed assets.

Among the several state rationalization programs drafted, pilot programs gradually crystallized in the following areas:

- fuel and energy consumption;
- economical use of metals;
- operations, transport, packaging and storage.

Furthermore, the economic result of the programs for the development of automated control systems appears in the form of actions of comprehensive socialist rationalization aimed at conservation and better utilization of work forces, above all in management and administration.



Comprehensive socialist rationalization made considerable contribution to the Fifth Five-Year Plan; for example, the goal of planned savings of fuels and energy which amounted to approximately 6 million tmp [tons of standard fuel] was exceeded by more than 10 percent. Good results were achieved also in recycling of waste raw materials and materials, in rationalization of services, etc.

The importance of comprehensive socialist rationalization further increased during the Sixth Five-Year Plan in conjunction with the necessity to focus all attention on a more efficient national economy, particularly on the best possible valuation of all types of fuels, energy, raw materials and materials. The rationalization program also contributed very significantly to conservation and thus mitigated negative external effects of world economy on our economy. To a major extent it shared in the development of production, cost reduction, conservation of fuels, energy, raw materials and materials, in higher labor productivity, exploitation of fixed assets, innovation of goods and so on. For example, in the branch of fuels and energy more than 12 million tons of specific fuels were conserved.

According to analyses completed in selected branches and sectors, comprehensive socialist rationalization shared in general about 40 to 50 percent in the growth of production, about 30 to 40 percent in the growth of labor productivity and 40 to 50 percent in savings of production costs. These results demonstrate the effect of the fulfillment of state rationalization programs and of rationalization programs prepared by VHL [economic production units], enterprises and plants for the entire 10-year period.

This focus offers propitious preconditions for further application of rationalization methods in the Seventh Five-Year Plan. In the planned management system of the national economy, a programmed, goal-oriented approach will be implemented on the level of state plans. As envisaged, the state goal-oriented programs will focus on the implementation of vital projects of societywide importance in selected branches of production, on efficient use of fuels and energy, and on the development of the energy base, transportation and processing of materials, on efficient utilization of metals, etc. and on the implementation of such programs in appropriate sectors of the national economic plan. State goal-oriented programs, which will be centrally assessed and controlled, will become a tool of structural changes in our national economy. In addition, to a certain degree they will help integrate the hitherto split and disjointed program planning. On the level of central management, their objective focus to a great extent will replace state rationalization programs. Their most significant projects in efficient utilization of fuels and energy, storage and processing of materials and efficient utilization of metals will be implemented in the framework of state goal-oriented programs.

Our national economy will not become more efficient only by implementing great, demanding projects characterized by structural changes, but also by rational exploitation and utilization of all economic assets in every place of work, and by enriching labor with all available scientific achievements, both in the production and non-production areas. If we proceed from the principles on which the development of comprehensive socialist rationalization is based, it is self-evident that the application of programmed, goal-oriented approaches on the level of central management must not weaken rationalization programs on lower organizational levels.



The principle on which comprehensive socialist rationalization programs for the Seventh Five-Year Plan are based should not be changed. Acting to reduce the amount of direct labor as well as past labor inputs and production costs, it should contribute toward a more efficient national economy and toward the fulfillment of the planned tasks. By the same token, it should proceed from the tasks and objectives of the directives for the development of the national economy and help in specific situations to accelerate the dynamism of the development by raising social labor productivity.

Rationalization must be implemented thoroughly in conjunction with the application of all new scientific and technological achievements, with the application of the results of research and development, and with the implementation of inventions and improvement proposals.

When drafting comprehensive socialist rationalization programs, minor rationalization measures should no longer be underestimated, because as a rule, they can be introduced without capital investment and with fast return on capital.

The focus of rationalization programs on other sectors, for example, health care, social care, the educational system, culture, etc., is determined mostly by basic functions of the pertinent institutions. Its objective is the most efficient utilization of health care, cultural and educational facilities and, furthermore, of social resources, with simultaneous improvement of the standard of the services rendered and with advancement of educational programs.

In considerations concerning the focus of comprehensive socialist rationalization, in addition to economic results, some other factors should be taken into account, especially elimination of hard and strenuous physical work, improvement of the working environment, effect on the environment, higher cultural standards and overall humanization of labor.

It is, therefore, appropriate to underline here that the existence of state goal-oriented programs does not preclude elaboration and implementation of comprehensive socialist rationalization programs; on the contrary, next to programs organized on the level of central management, the most economical management and development of efficiency in production and labor processes should be promoted systematically and tenaciously on every level of organization and management. As demonstrated by achievements of the last two five-year plans, the most suitable means for fulfilling these demands is represented by comprehensive socialist rationalization programs which have already been tested in terms of methods, forms and concepts of implementation and which do not need to be changed.

It is, therefore, obvious that the reduction in the consumption of energy and materials and other national economic tasks may be only partially covered by the actions of state goal-oriented programs and thus, the contents of comprehensive socialist rationalization programs will remain an important part of the envisaged contributions of the VNI and enterprises. For that reason it is advisable to continue promoting their planning, to follow their outcome, and to control them methodically. At the same time the Set of Measures for Improving the Planned Management System of National Economy After 1980 envisages that economic plans of the ministries, enterprises and plants will be implemented by means of technical and organizational measures, including measures pertaining to organization and management. Comprehensive socialist rationalization

programs also provide the best means for this task. In the period of the Seventh Five-Year Plan they should include the following:

- all vital areas of consumption, particularly of fuels and energy, raw materials and materials (especially metals and other materials, for example, concrete, timber, etc.);
- reduced consumption of direct labor, for instance, in processes of production, handling and circulation, in organization and management, etc.;
- rationalization of services;
- recycling of waste and unused raw materials and materials (for example, certain metals, wood pulp, paper, textiles, certain chemical materials and products, etc.);

The Seventh Five-Year Plan will be implemented under conditions of seriously limited resources of fuel and energy, which will inhibit the development of our national economy. As compared with 1980, the state goal-oriented program for rationalized consumption, conservation and utilization of fuels and energy envisages savings of more than 10 million tnp in the target year of the five-year plan, and about 12 to 15 million tnp more before 1990. During this period, changes in the structure of resources and untapped assets will become evident; there will be fewer available resources yielding fast return, not intensive in terms of investments and obtainable frequently at the cost of noninvestment assets; in the fore will be investment programs focusing on demonstrable savings in the above-mentioned area. A major role will be played here by the implementation of scientific and technological achievements on which the prepared program counts.

Furthermore, it will be imperative to develop and improve application of semiconductor technology, particularly of efficient components to drive machinery and equipment. Electronics, especially microminiaturization, will facilitate automatic control of technological and other processes so as to achieve optimum fuel and energy consumption. Understandably, modernization of all types of equipment consuming fuel and energy will pose a continuous task.

In the nonproduction sphere new, progressive systems for heating, control and measuring heat consumption must be introduced; heat conservation must become the same focus of interest as electric power. Major tasks will involve better thermal insulation of building frames and optimum supply of heat and electricity to the population.

Also, waste heat offers ample opportunities for recycling; its potential will rise with the construction of nuclear power plants. Efforts will be made to use solar energy and to utilize low-potency heat by means of heat pumps.

Experience has shown that extensive initiative of all working people must be promoted in order to implement the measures of this goal-oriented program which is based on the specifications of the Long-Term Program for Rationalization of Consumption, Conservation and Utilization of All Types of Fuels and Energy. It consists of eight vital branches for the purpose of:

- reducing waste in the processing, conversion and transportation of fuels and energy;
- reducing consumption of power in metallurgical industry;
- achieving rational consumption and utilization of fuels and energy in machine engineering;
- achieving rational consumption and utilization of fuels and energy in chemical and consumer industries;
- achieving rational consumption and utilization of fuels and energy in the production and use of construction materials;
- achieving rational consumption and utilization of fuels and energy in agriculture and food industry;
- more efficient utilization of fuels and energy in the nonproduction sphere.

The purpose of specific actions comprising 47 percent of the contents of the above-mentioned program is to reduce the power consumed in our national economy by about 150,000 thermal units by 1985 as compared with 1980 and to save in addition almost 170,000 thermal units by further actions implemented on lower levels of management. As compared with 1980, rational consumption and utilization of fuels and energy will reduce power consumption by a total of 22-25 million tons of standard fuel equivalent in the target year of 1985.

Analogically, it is necessary to pay special attention to conservation of metals in production proper as well as in the construction of machinery and equipment, in consumer areas, etc. Here again the state goal-oriented program envisages major achievements. By the same token, it should be considered that in view of limited resources of metals, rationalization in that area is gaining increasingly more importance because while saving every unit of metal we are also conserving fuels and energy.

Specific measures of this program deal with conservation in the production of metals, metallurgical products and semifinished products, as well as with processing and use of recycled waste metals, with conservation in the production of castings, forgings and pressings, and with powder metallurgy; in the use of metal materials this involves rational construction and design of machinery and equipment, utilization of modern technology in the production of machinery, substitution of materials in the construction of machinery and equipment, including the use of nonmetallic materials, protection of metals against corrosion, and higher efficiency of metals in consumer areas; in the use and disposal of metals, this concerns efficient repairs and maintenance of machinery and equipment (including replacement of parts), and also rational utilization of waste metals, etc.

An important requirement of rationalization in this area is to create for it preconditions in the planned management system, especially in price-setting, price relations and material incentives, in standardization (particularly technological norms) and norms of material consumption, information, consultations, development of initiative,



etc. At the same time, it must be emphasized that electricity, heat and fuels are conserved when metals are saved, which further enhances the efficiency of these rationalization measures.

In recent years the state program entitled "Rationalization of Operations in Transport, Packaging and Storage," declared by the government of the CSSR in 1971, has become an important tool of management in achieving the projected national economic results in transportation and operations. The tasks outlined for 1976-1980 called for saving of 56,700 workers and of Kcs 2.6 billion in costs. Following the implementation of several measures, these goals were overfulfilled by 10 percent. In the Seventh Five-Year Plan the main tasks in this area will involve:

- consolidation of the systematic approach and effect of the center in enforcing planning and implementation of specific vital rationalization programs by the state goal-oriented programs;
- intensification of the management and regional rationalization complex in handling the materials under the conditions of individual ministries and of our entire national economy.

The two state goal-oriented programs based on those principles are "Rationalization and Modernization of Storage Economy" (coordinating project manager--Administration of Federal Material Resources) and "The Progressive Transport Systems" (coordinating project manager--Federal Ministry of Transportation).

The purpose of the former is to introduce a reliable and efficient storage system facilitating regular and orderly supply, particularly to housing centers (in the first stage, supplies to production and population of the capital cities of Prague, Brno and Bratislava, even during emergency situations). At the same time, historical centers of those cities are to be decongested in order to improve the environment of their residents.

The purpose of the latter program is to set preconditions within the expansion of the transport system during the Seventh Five-Year Plan to increase distinctly the share of an advanced transport system in total freight transport and thus, to reach the common objective of the haulers and transporters--rationalization of freight shipments and continuous handling of goods so as to render the processes of production, including economic and material supply, more efficient. This concerns in particular a streamlined design of transport systems in the transporting and hauling branches of domestic and international freight transport, including subsequent handling of the material. The program involves the development of containerization, especially of the container shipment system, palletization and concentrated loading and unloading systems.

The rationalization program has passed through a period during which its basic principles were put to test; rationalization developed on a broad scale and boosted the dynamism and efficiency of Czechoslovak economy. The demanding tasks of the Seventh Five-Year Plan require that in the future years we focus on pinpointing resources and untapped assets in order to accelerate economic development along with the maintenance of high standards in covering the increment of national revenue (production, volume of outputs) by higher social productivity of labor. This concerns primarily:



- the fullest possible utilization of material resources and untapped assets so as to cut the consumption of all kinds of fuels and energy, propellants, raw materials and materials, especially imported ones, and their efficient use and valuation;
- the fullest possible utilization of fixed assets in production, their intensification and modernization, and upgrading of the efficiency of capital investment;
- extensive innovation of products and improvement of their technical economic standard, quality and dependability, and thus, also of their overall efficiency;
- application of achievements of research and development, inventions and improvement proposals, so as to accelerate the improvement of the technological standard in production, of the quality and reliability of the manufactured goods;
- better utilization of work forces by improved organization of labor, elimination of time waste, introduction of efficient labor processes and conditions, utilization of objective norms and standards of time consumption, efficient arrangement of work places, improved working conditions and environment, elimination of strenuous physical labor, replacement of work forces by technology, etc.;
- higher efficiency of labor in the tertiary sphere and in other nonproduction activities, better and expanded services to the population;
- more efficient management and administration, and introduction of computer technology in administration proper as well as in the management of the processes of production and nonproduction.

Rationalization represents a specific area in enterprises and organizations managed by national committees. Next to enterprises of the production type where the above mentioned principles may be applied, there are organizations managed by national committees providing various services for our population and engaging in activities stemming from their cultural, educational and social functions. It is necessary to see to it that in such establishments economic points of view be combined with the fulfillment of their societywide tasks. This applies especially to the educational system, culture and health services.

In other sectors of national committees (commercial enterprises, enterprises of water economy, transportation, highway economy and local economy) rationalization programs must focus mainly on upgrading quality while reducing the costs of their operations. Essentially the same principles as in economic organizations may be implemented here. Their specific direction is determined by the plan of performance.

Furthermore, rationalization efforts must be focused on programs in which efficiency cannot be expressed numerically, which do not have any direct economic effect, but which help improve the working and living environment and are socially and politically significant.

9004  
CSO: 2400/299

SALES OF L-410 AIRCRAFT, MODIFICATIONS DISCUSSED

Prague LETECTVI A KOSMONAUTIKA in Czech No 16, 1981 pp 601-603

[Interview with Eng Stanislav Boura, by Doctor Jan F. Sara: "LET into the Future"]

[Text] [Question] It would be quite unfair to the readers of LETECTVI A KOSMONAUTIKA to introduce the Uherske Hradiste-Kunovice national enterprise Let. This factory, which in 5 years will mark the 50th anniversary of aviation work in Kunovice and which this year will celebrate the 30th anniversary of its modern history, has become one of the pillars of our aviation industry during recent decades. The Blanik glider, the Aero 45 and Morava series of 2-motor taxis, the Cmelaky for agriculture and, recently, the "410s" in particular are designs which extend far beyond merely the limits of knowledge of aviation experts, as well as the borders of Czechoslovakia.

We have not, however, visited the director of Let, Eng Stanislav Boura, in order to reminisce - this has already been done for us on the pages of LETECTVI A KOSMONAUTIKA by aviation historians (we have particularly in mind the monograph article by Eng Jan Krumbach in the final two issues of 1976). - In the first place, congratulations and, if we might, let us move right to the present time...

[Answer] Our largest and highest quality product is the L-410UVP aircraft, for which the domestic routes of the Soviet airline Aeroflot are waiting, and where the majority of our production will be used. The current favorable situation which allows us to fly the aircraft to the USSR immediately after they are finished is the outcome of many years of great labor effort on the part of our whole enterprise collective. This climaxed in July 1979 with the issuance of a Soviet temporary certificate of air-worthiness for the model L-410UVP, which made it possible to implement state and operational tests in the Soviet Union, and particularly during July 1980, when a Soviet certification of air-worthiness was issued, marking the opening of flight operations in the Soviet Union carrying passengers on board airplanes produced here.

The issuance of this certification is a significant event in civil aviation not only for our enterprise, but for the USSR as well, because the L-410UVP is the first aircraft which obtained this certification under the new Soviet NLGS-2 standards. The achievement of this goal represented a huge volume of work for all the employees of our enterprise. The conduct of the tests, certifications, analyses, and problem resolution lasted for more than 3 years. During the state trials in the Soviet Union, 100 air hours were logged on two prototypes, and several thousand hours were logged during operational tests on 10 aircraft in the Saratov oblast. A number of

Soviet institutions and research institutes shared in the conduct of these tests and air trials; this cooperative project was then successfully ended with the issuance of the certificate. This made it possible for our enterprise to start up mass production, to provide smooth deliveries of these aircraft to the Soviet Union, and thereby create clear opportunities for the individual years of the Seventh Five Year Plan. This, of course, does not end work on the L-410UVP aircraft. On the contrary, the employee collective in the mass production division of our enterprise is working on designs for the further expansion of the use of this aircraft in the operations of various users. Just last year a deluxe version of the L-410UVP was designed and built for the GDR. This year an ambulance version has been designed, the production of which has just been started. A model for parachutists has also been designed and is now undergoing flight tests. Likewise, the documentation will be completed this year on the L-410UVP in its aerial surveying and mapping version. And there are still other applications of the aircraft. Preliminary orders have indicated an interest in modifications for geological, fishing, and agricultural purposes.

The aviation division at our factory is not represented only by airplanes, but also by the production of components for the M-601 engine, which we supply to the Prague Motorlet national enterprise. From the time of the decision by the Aero general directorate in 1975 to establish its motor base in our enterprise, both the mix and amount of produced components has significantly expanded. The volume of our production is attested to by the fact that this year we have completed delivery of radial-flow compressor rotors and casing systems for axial-flow compressors for more than a thousand engines, which is definitely not a negligible level of assistance to improve facility utilization at the Motorlet national enterprise.

This increase in the engine-building facilities and expansion of the mix of components produced for the M-601 engine will continue to be implemented in the upcoming years of the Seventh Five Year Plan, and include the taking over of production and assembly operations for the remaining compressor components during 1982.

If we speak of our enterprise as a unit, then it is impossible to leave out our second production program, i.e. the production of radar detection technology. From the modest beginnings of when production was taken over, and independent development base of high technical sophistication has been created at our enterprise. Its employees have focused their work mainly on the field of various types of antenna mechanics. And even though we do not deliver these products directly to customers, but provide them for other units assembled by Pardubice Tesla national enterprise, they still contribute to the reputation of our enterprise. The extent and mix of radar products will also expand in future years. Many significant successes have been achieved recently in enterprise activities. This fact commits us to continue our conscientious and good work in future years as well. We have a positive potential in all production programs and it is therefore incumbent on us all to fulfill the assigned tasks. This will in no sense be easy especially given the increasing production volume under the conditions pertaining to the application of the economic regulations of the Set of Measures. A mature labor collective, the guarantee of long-term contracts with the USSR, combined with a clear concept worked out in close cooperation with the CPCZ All-Factory Committee in the spirit of the conclusions of the Sixteenth CPCZ Congress regarding enterprise conditions through the target years up to 1990, all create the optimal conditions for the assumption and fulfillment of additional, still more demanding tasks.



It is my pleasure to emphasize in this regard, that the results of recent years, and especially of 1980, have been achieved also thanks to the full support and assistance of the supervisory general directorate of Prague Aero and the general director, Comrade Josef Skarohild, who personally and in a decisive manner resolved the most serious problems connected with the certification of the L-410UVP aircraft, as well as with the completion of the development of aviation production, and thus with the development of our enterprise.

[Question] You spoke about the highest quality, and largest product. What is the current "through time" at Let, how many machines do you produce in a month?

[Answer] The successful completion of technical development tasks for the L-410UVP aircraft and the obtaining of the Soviet certification has created positive conditions and space for the enterprise to increase smoothly the production of aircraft, even though we are limited by deliveries of the M-601B engines from Motorlet. For this reason as well our enterprise is expanding the production of engine components for Motorlet national enterprise, and helping in this way to improve the utilization of its facilities. But, for a concrete answer to a concrete question. The average monthly production in 1981 is 6 L-410UVP aircraft. This number will be increased gradually in each year of the Seventh Five Year Plan, and by 1985 we expect to reach an average monthly production of 8.3 L-410UVP aircraft, which amounts to 100 planes a year.

[Question] One type then, is being produced at full throttle, but the "drafting tables" are certainly a few years ahead. To the extent that it is not a secret - what are you planning for the future?

[Answer] It is a necessity of life for every production organization constantly to see to the development of its own production program and thereby create the pre-conditions not only for its own development, but also for the development of our entire national economy. The central program of our enterprise will continue to be aviation production in the field of small transport aircraft. In view of the fact that most of our production is exported, and given that our major consumer is the Soviet airline Aeroflot, our innovation program has an important mission, i.e. the satisfaction of our main customer, taking care of his needs in the development of small aerial transportation, i.e. for aircraft to handle transportation along local routes. Our new transport aircraft is supposed to replace the well known Jak-40 model, which is no longer satisfactory from the viewpoint of future aircraft requirements for local routes.

We are aware that the success of our design is dependent, among other things, on a thorough recognition of the requirements of the future customer, beginning with specifications for the performance and characteristics of the airplane, its operational sophistication, reliability, lifespan, and ending with its overall costs of operation. The basis of a recognition of these requirements are already incorporated into aircraft of the L-410 series, which have been made operational in the USSR after close cooperation between the CSSR and the USSR. The operational experiences gained from the L-410A, L-410M, and mainly the L-410UVP have been and remain important sources of information for decisionmaking concerning the designs for a future model, which would bear the mark L-610.



Cooperation with the USSR on the L-610 program is significantly more extensive than before. While in the case of the L-410 we received information concerning the characteristics of the aircraft from the viewpoint of the operator, for practical purposes, when the aircraft prototype already was standing at the airport, and the designers had to reconcile the existing design to his requirements, for the new model we know the needs of the main customer at the very beginning of the studies and design work. The views of the customer and the possibilities for realizing them have been mutually negotiated and the required agreements concerning technical specifications were reached.

All aspects of these requirements have a high level of technical sophistication. Among the most important of these is the ability to operate from short runways with natural surfaces, and under all the anticipated operational conditions found in the USSR, as well as a long useful life, reliability, operational economies including minimal maintenance requirements, while at the same time meeting the standards of Soviet regulations for aircraft construction.

We performed a number of analyses in order to choose a design that would meet operator specifications. From these analyses it followed, for instance, that the high demands for energy efficiency of the installed propulsion system could be fulfilled only by a turboprop engine with a modern, slow turning, "quiet" propeller. The appropriateness of this choice of propulsion system was confirmed by concurrently appearing designs for this type of aircraft worldwide. The aircraft will have two engines. Following experiences in the operational verification of the L-410 aircraft in the USSR, we have stayed with a cantilevered, high-wing design with a high level of mechanization of the wing itself. The vertical empennage area with twin rudders has a horizontal empennage area located at its end. The heavy duty, retractable landing gear is attached to the fuselage. The aircraft has a pressurized cabin, because the cruising altitude at which the specified efficiency in fuel consumption is obtained has been raised to 6,000 meters.

Its equipment is significantly more modern than on the current models. It covers all requirements stemming from the resolution of the flight and navigational tasks arising from expected operations.

The overall conception of the aircraft has been designed so as to assure a high level of operational self sufficiency.

The design approach established by the Aero general directorate did not, however, include only the development of the aircraft itself and the engine units, but also the remaining requirements of the operator which are necessary to see to the fulfillment of the transportation tasks facing this type of aircraft. For these reasons, development has taken place, parallel to that of the aircraft, of a simulator to train pilots, as well as an inspection and diagnostic system needed to speed up, objectivize, and implement modern maintenance procedures, and a number of necessary ground installations connected with the servicing of the aircraft. The theoretical and practical training of the user personnel will also be an object of our attention. In other words, we want to do all we can to see to it that the customer can initiate intensive operations immediately after the delivery of the first aircraft. It is clear that to achieve these objectives it will be necessary to develop this new program in very close cooperation with the appropriate agencies of the USSR, and with broad cooperation among the enterprises of our Aero general directorate, the Federal Ministry of Machine Building, and others.

The principles of this cooperation and participation are established in an inter-governmental agreement between the CSSR and USSR concerning cooperation in the development and production of a short-haul aircraft and its delivery to the USSR. This document is the basis of measures for the Ministry of Machine Building of the CSSR and, in our field, of a directive from the general director which defines very precisely the entire conception of the development of the Czechoslovak aviation industry.

The difficulty of our task may be best appreciated by a comparison of certain characteristics of the Jak-40 aircraft with our new aircraft, which is to achieve:

--significantly reduced consumption of construction materials per passenger kilometer (by 30 percent);

--significantly lower fuel consumption per passenger kilometer (by 50 percent);

--half of the required runway distance (800 meters) on a natural surface, in comparison with a concrete or asphalt surface as required by the Jak-40 aircraft.

[Question] I realize that to use a congratulatory message on the anniversary of an enterprise for questions such as the next one is not completely "fair," but nevertheless we would be grateful for your answer. Our agricultural pilots have already almost come to terms with the fact that they will not get the Cmelaky from you, even though there does not exist at present in the CEMA member countries an exact replacement in the same price category. The termination last year of production of the Blanik L-13 glider is, however, still a live question - and not only among members of Svazarm. In the words of a representative of the Omnipol foreign trade enterprise, published here last year, "...it is a shame that no way was found to continue production and development, because the export of this glider has been relatively profitable and effective, both to socialist and nonsocialist countries." Certainly, it was not a matter for your enterprise alone, the decision was also made elsewhere, but given the feedback, there are clearly few among those interested in this field, and even fewer experts, who are convinced that the decision was proper. We are aware how many people were working on the Blanik, and how much they will increase the production of the L-410UVP. All of this can be expressed financially and calculated in all kinds of ways from this data, but still it makes no sense to us, as they say (and not only financially) "all things considered"...

[Answer] Halting the production of the Z-37 agricultural aircraft at our enterprise was by no means a simple matter. The implementation of this decision was influenced by many considerations, some of them international in nature. Our supervisory organ, the Aero general directorate, is aware of the current needs for agricultural aircraft in our country as well as others, and allows room for research into various realization possibilities. The current situation is being influenced as well to a large extent by delays in production and deliveries of such aircraft from Poland. Consolidation of L-410UVP aircraft production at our enterprise can have the effect in future years of creating certain excess capacity and space for an evaluation of the feasibility of starting up again the production of agricultural aircraft, either as originally designed or with new modifications. Both of these alternatives, however, are limited by several factors which are not immediately resolvable at the present time.

As far as the Blanik is concerned, I can give you a more favorable and unambiguous answer. Production has started up again. With the cooperation of the Aero general directorate the conditions were created at our enterprise to do this. A new glider is being produced under the name of the L-13A. It is based on the original design with several modifications, mainly consisting of the use of reinforced wings from the motorized L-13SW glider. These modifications have significantly improved the reliability and life span of the glider.

The first deliveries of the L-13A will be realized as early as the fourth quarter of this year and plans are to continue the production of this model in future years as well.

[Question] The answer to this question as well as awaited primarily by readers from flying clubs, who are well aware of the many years of good relations between Let - the Slovak Flying Club - the operating equipment of the Svazarm Aerotechnik Central Committee. On what principle is this cooperation based and how is it developing?

[Answer] Much has been said that is positive about the cooperation of our enterprise with the Slovak Flying Club and the Svazarm Aerotechnik Central Committee equipment in Uherske Hradiste, because this cooperation is mutual, positive, and informal.

Cooperation with the Slovak Flying Club is not conditioned solely by the fact that many employees of our firm are members of the Flying Club, but also by mutual interests in the development of Czechoslovak aviation and, therefore, by common objectives as well. This cooperation takes many forms encompassing the areas of management, culture, and education.

Regarding Aerotechnik, a neighboring factory with the same type of production, we are bound to them by very good relations and we cooperate closely with them. This is attested to by the fact that we produce for Aerotechnik about 70 percent of the components and systems for the L-13SW motorized glider. For their part, our enterprise received from them formulated design documentation for the wings to be used on the L-13A glider, including the necessary fuselage modifications. Such forms of cooperation are to the advantage of both partners and I am convinced that in future years we will find other avenues.

[Question] To conclude our conversation, you will, I guess, be happy to invite our readers to the Tenth Aviation Day of Svazarm with Flowers, which will take place this year at your airport. And also to the upcoming machinery trade fair in Brno, where you will certainly be an exhibitor this year as well...

[Answer] Aviation days have become a beautiful tradition. They present an unusual show for the viewers and an opportunity to demonstrate the finished work of our workers and technicians, to get a look at the mastery of our pilots, parachutists, and other active participants in aviation activities. We are glad that the jubilee Tenth Aviation Day with Flowers will take place at our firm in the year when our enterprise is also celebrating a jubilee - our 30th anniversary.

At the machinery trade fair in Brno this year we will exhibit the L-410UVP in the standard USSR version. We are certain that this product will represent our firm well, even though we will not compete this year for the gold medal. We already have been awarded a gold medal in 1978 for our exhibition of the ambulance version of the

L-410M. I would like to point out that this is not the only gold medal that our enterprise has won. The L-410UVP aircraft has been judged "the best product of the Federal Ministry of Machine Building in 1980." This evaluation not only pleases us, but commits us as well to additional good work.

[Question] Thank you for the interview, and we wish let many more successful years!

9276

CSO: 2400/310



## PIECEWORK PAY, QUALITY PRODUCTION URGED

Prague RUDE PRAVO in Czech 5 Aug 81 p 1

[Editorial: "Work Quality and Compensation"]

[Text] Comparison of the volume of work that has been performed with its quality, on the one hand, and the compensation provided for it, on the other, belongs among the most sensitive issues in the broad spectrum of tasks which must be fulfilled as a precondition for the realization of the Set of Measures for Improving the Planned Management System of the National Economy. The Set of Measures, to be sure, has been in force since the beginning of this year, and some of its provisions are already being implemented, but the practical application of other, more basic, concepts is still running up against persistent elements of the old ways of thinking, approaching work and problem-solving. For this reason, it is still necessary to fight constantly for the realization of the Set of Measures on these fronts.

It is primarily a matter of areas related to the evaluation of labor quality and compensation, in other words, issues which in many instances cannot be brought into line with the intentions of the improved management system without conflicts. This is true because in recent years there has been a disruption of the relationship between performance and its financial valuation, a weakening in the incentive character of both the basic and flexible components of wages, brought about by a loosening of financial discipline, but also by longer standing and disruptive abuses and their influence on the value of money (for instance the various forms of tips, bribes, over-payments, etc.). There have also been negative consequences from an expanding equalization of compensation which has come about through the reduction, or total neglect, of differences in quality and efficiency among individual workers of the same collective, and which has not brought about an improvement in the performance of the less productive workers, but rather cooled the enthusiasm for work of the better employees.

Introduction of the merit principle for determining the level of compensation for work has been sluggish. There is no lack of examples, certainly, of how the work collectives in many factories have come up with their own solutions, brought about order, and of how they openly discuss performance discrepancies and the resultant numerical expression of these differences in compensation, but we are still far from an overall change in the system. This is also confirmed to a certain extent by the report on the results of national economic development for the first 6 months of this year, particularly in those sectors marked by a relationship between labor productivity and wages.

One must take into account that the development of labor productivity in industry, its increases in relation to the growth of wages, exhibited a more favorable relationship than last year, even though it is still not keeping up with plan guidelines. The increase in labor productivity was one-tenth of a percent less than planned, while wages increased two-tenths of a percent more than projected. This relationship worsened significantly, however, in construction, where productivity decreased perceptibly in comparison with last year, even while wages continued to rise. A certain amount of this, to be sure, can be accounted for by a change in the character of construction work--a low percentage of work handled by heavy machinery (the initial stages of construction) and a high percentage of finish work, which is more labor intensive--but this does not explain everything.

It follows that the effort to introduce some order into the compensation system, to emphasize, through wages, sophisticated, quality performance, and to pay for low-quality work only what it deserves, is for the time being having a hard time making an impact on daily practice. Therefore it behooves managerial employees at specific organizational levels to consider why they have done so little to date in this regard. Because bringing order to the compensation system is above all a matter for managers--though there has been no lack of examples of work collectives which have themselves actively initiated efforts toward the solution of this problem. It is on the whole, however, naive to think that people will arrange this themselves, that they will express themselves and encourage their immediate superiors (masters, union chiefs, shop foremen, and the like) to cease the current practice of equalization in the evaluation of the contributions of individual employees for the purpose of determining wages.

It is logical that there is a fundamental difference between bringing order to the compensation systems of industry and construction, one which follows from the nature of the work performed. In industry, the master or workshop foreman is with his collective for practically the entire work day, while in construction the masters of the construction foremen are for the most part content to "distribute" the work in the morning, after which they pay little attention to the conduct of the collective, whether it performs or does not perform, whether idle periods occur because of poor work organization, material deliveries, etc. And it is no surprise then, that under such a system of "supervision," payment is often made not for work, but for wasted time. The above shortcomings also follow, however, from the fact that in construction a piecework wage system is not sufficiently widespread, which means that wages are not determined in advance in terms of a specific volume of labor (if this were the case, obviously, it would not be a matter of how long the work is in progress, and workers employed on the job would themselves have a stake in the project rising under their hands).

The disparity between the volume and quality of work performed and the compensation received for it has its own undesirable consequences. The volume of financial resources allotted to wages and compensation is not determined at random, but is tied to the plan as an essential component of costs calculated beforehand for expected performance. And furthermore, the economic-incentive fund established by the plan is assured in later plan segments by the volume of relevant production for the domestic market and services for the population. Thus, to pay out more than justified by realized performance reduces the efficiency of economic activity and at the same time disrupts the balance between goods and services on the domestic market. The disrupted

balance in this area is then fertile ground for excess payments for goods in short supply, bribes for the priority delivery of certain services and other abuses.

Bringing order to the compensation system, then, has a deeper significance than is at first evident. It is a matter of fortifying respect for the currency as such, strengthening the actual value of compensation earned by justifiably quality work, the creation of an atmosphere of broad citizen cooperation in the punishment (a better expression would be prevention) of various "curiosities" in areas where there is no basis for them. Surely, it is comprehensible that a person who has had to earn his money honestly by performing a certain amount of quality work will not be inclined to pay more for goods or services than officially established (he will not bribe). Nor will he be inclined to allow himself to be clearly defrauded, a situation which, however, cannot be prevented by any number of inspections, but above all by the citizens themselves.

In productive activities, it is possible with relative precision to determine the relationship between increased labor productivity and wages. This relationship is less clear in nonproductive, or administrative and similar activities. This does not mean, however, that we are not to devote attention to them. Here also it is essential to monitor systematically whether the volume of performed activity is in accord with the number of employees, to see that working time is not wasted and that payment is made not for time spent in a chair, but for actual work. The monitoring of the latter activities is the more difficult, because for the most part they cannot be standardized. This, however, should in no case lead to a lack of interest by managerial employees in the efficiency of such work.

The Set of Measures is conceived in such a way that the individual components complement each other, mutually influence and support each other, and so that the overall result of enterprise management is determined by the interplay of many individual activities (and, understandably, the quality of their realization). This does not mean, however, that it is possible to avoid the introduction of less pleasant, unpopular measures and expect that adjustments will result from the effects of the additional measures from the above Set. This would be a fundamental error. The desired increase in the efficiency of social labor may be achieved only through the constant and consistent implementation of all the measures with the same intensity. Because just as the various measures mutually reinforce each other, so the omission of any one of them will weaken the effect of the others. It is basically a matter of communicating vessels, in which the efficiency of the whole system is, practically speaking, determined by its weakest place. Or it may be compared to a column of vehicles traveling along a road that does not permit them to pass each other--it is obvious that the speed of the column cannot exceed that of the slowest vehicle.

It is likewise logical that in such an extensive complex as the Set of Measures, its specific points have differing significance and a different share in the projected final outcome. The merit principle for compensation is one of those which are of the greatest significance. It is precisely for this reason that it must be given constant attention and care, that it must be introduced consistently into practice, that individual conflicts not be avoided, but rather that all honest employees be won over through patient explanation and persuasion to its application throughout the breadth of the national economy and life of the society.

HUNGARIAN FOREIGN TRADE PERFORMANCE IN 1980 ANALYZED

Budapest FIGYELO in Hungarian 12 Aug 81 p 9

[Article by Mrs Imre Csordas and Dr Jozsef Szatmari: "Greater Risk, Smaller Profit"]

[Text] The new system of income regulation that was introduced in 1980 for the foreign-trade enterprises had been elaborated with due consideration for the Sixth Five-Year Plan's tasks in conjunction with the external economy. It will be of interest to examine how the results of the foreign-trade enterprises developed amidst the functioning of the new regulators.

The foreign-trade enterprises' new system of income regulation is based on the introduction of commission and markup schedules that are about 60 percent lower than the previous ones, parallel with the abolition of the foreign-trade tax, capital use charge, and wage-commensurate charges. The objective in setting the new commission rates and markups was to enhance the fulfillment of import and export targets, encourage the spreading of new, more modern forms of foreign-trade relations, give preference to the establishment of partnerships for working the foreign markets jointly, reinforce the orientation on foreign markets, provide incentives for more intensive pricing and savings in sensible management of costs, and make the enterprises more cost- and profit-sensitive. Another essential element of the system of income regulation is that foreign-trade enterprises exporting for their own account fall under the same consideration as the producer enterprises.

Our conclusions are based on the findings of a study that the Ministry of Finance Chief Directorate of Revenue (PM Beveteli Főigazgatóság) undertook in 1980 of the foreign-trade enterprises dealing in farm and food-industry products, basic materials and light-industry products, and which the directorate is continuing this year at the foreign-trade enterprises dealing in machine-industry products. In our analyses we have made use also of the enterprises' balance-sheet reports, and of foreign-trade statistics. Thus our conclusions apply to foreign trade's sector of "trade in commodities and intellectual products," respectively to the enterprises of this sector.



## Terms of Trade by Commodity Groups

The combined effect of the comprehensive measures adopted to promote fulfillment of the plan's objectives is best reflected in the changes of the terms of trade. The terms of trade are a composite indicator of nonruble-denominated foreign trade. They incorporate the increase in the volume of economical exports, the development of the export of new and more modern products of better quality, and the curtailment of uneconomical exports. Furthermore, they include the effect of the economical use of imports, and the results of price work on foreign markets in the case of both export and import. The terms of trade improved in 1980, for the first time in years. It is interesting to analyze how much the foreign-trade enterprises specializing in the various branches contributed toward the improvement of the terms of trade, or how their activity influenced the development of the terms of trade.

### 1980/1979 Indices of Nonruble-Denominated Foreign Trade

Foreign-trade enterprises by specialization	Import price index	Export price index	Terms of trade in- dex
Agriculture & food industry	113.7	106.3	106.9
Basic materials:			
Sources of energy	137.0	133.7	102.5
Materials	114.1	113.5	100.5
Consumer goods	112.7	109.0	103.4
Machine industry (machinery)	109.9	110.4	99.5
Jointly	113.8	111.9	101.7

The greatest improvement occurred in the case of farm and food-industry products, primarily as a result of meat and grain exports by TERIMPEX [Foreign-Trade Enterprise for Livestock and Crops] and AGRIMPEX [Agricultural Foreign-Trade Enterprise]. Likewise significant is the improvement in light industry, resulting from higher export prices, from new and modern products, and--last but not least--from the introduction of the competitive pricing system. Abandonment of the export of uneconomical products also improved the terms of trade, although it did cause a dropout in volume. The terms of trade worsened only in the case of machinery, and this calls attention to the poor export prospects of Hungary's machine industry.

The combined total gross sales of the foreign-trade enterprises dealing in commodities and intellectual products dropped by 0.2 percent in 1980 in comparison with the preceding year. Within this exports rose by 0.3 percent, and imports declined by 1.4 percent. In sum, the turnover developed favorably, and this can also be said of the balance of nonruble-denominated trade.

On examining the individual specialized areas of commodity trade it can be established that the rate of increase in export was the highest (10 percent)

at the foreign-trade enterprises dealing in farm and food-industry products. The convertible-currency export of the enterprises in this group was three times their import. AGRIMPEX played the leading role in this outstanding result, increasing its export by 35 percent.

The foreign-trade enterprises dealing in basic materials (metallurgy, and the chemical industry), which account for one-third of the total trade turnover, increased their export by 2 percent. METALIMPEX [Foreign-Trade Enterprise for Steel and Metal] and MINERALIMPEX [Foreign-Trade Enterprise for Oil and Mine Products] increased their export by taking advantage of the favorable situation on the world market. Otherwise the foreign-trade enterprises dealing in basic materials are "consumers" of convertible foreign exchange, because the nonruble-denominated export accounts for only 69 percent of the import. Light-industry export dropped by 6 percent in comparison with the base period. The enterprises in this branch nevertheless achieved a net surplus in their turnover denominated in convertible foreign exchange: nonruble-denominated export was 133 percent of the import. The decline in export can be explained by the selection of products to exclude uneconomic export. At the same time, the majority of the enterprises were able to realize favorable price increases, particularly HUNGAROTEX [Foreign-Trade Enterprise for Textile Goods] and TANNIMPEX [Foreign-Trade Enterprise for Leather and Fur].

Machine-industry export amounted to 93 percent in comparison with the base period. Most of the enterprises in this branch belong among the "consumers" of convertible foreign exchange. On this basis we believe that a dropout of export with a high import content--provided this occurs in the case of uneconomic products--helps to improve also the terms of trade.

The foreign-trade enterprises' profit stems from several sources. In the case of export and import for their own account, they may add their markup according to the schedules specified in the price-authority regulations, besides the normative and nonnormative settlements with the state budget on export for their own account. Prescribed commission schedules apply to export and import that the foreign-trade enterprises undertake as agents. The commissions are intended to cover the costs and to provide a minimum profit. Even under this form of relationship, however, the foreign-trade enterprises may agree with their principals to share the price profit above a certain limit. In the case of partnership deals, the partner enterprises reimburse the foreign-trade enterprises' expenses, and the foreign-trade enterprises may realize a profit in the attained prices.

The foreign-trade enterprises handled 5 percent of the export and 4 percent of the import as transactions for their own account. Within the total volume of export for the foreign-enterprises' own account, 59 percent was in ruble-denominated export, and 41 percent was in nonruble-denominated export. At the foreign-trade enterprises dealing in commodities, export for their own account represents about 5 percent of their total activity and provides 25 percent of their total profit.

In the course of evaluating the profits on transactions for the foreign-trade enterprises' own account, we investigated two things: whether the correct prescribed markup was employed, and the export-related settlements with the state budget. According to the balance-sheet data for 1980, eight foreign-trade enterprises exceeded the prescribed markup. The overcharging was very substantial. (A more detailed breakdown and evaluation of this overcharging are still in progress.)

On exports for their own account, the foreign-trade enterprises dealing in commodities obtained several billion forints in refunds of the producer's differential compromise turnover tax, and also aid for the modernization of production. In our opinion, such refunds and aid were excessive and unwarranted in all instances when the export suppliers had not paid differential compromise turnover tax and the exports were not industrial ones. That the refunds and aid were probably excessive may be inferred also from the fact that often the foreign-trade enterprises do not pass on these benefits to their suppliers, presumably because the suppliers don't press the foreign-trade enterprises to calculate the refunds, etc. in the transfer prices.

#### Questionable Earnings

The volume of imports for the foreign-trade enterprises' own account increased by 6 percent and, with the application of the new markup schedules, generated 807 million forints of profit, in comparison with a loss of 558 million forints the preceding year.

The foreign-trade enterprises dealing in commodities conduct about 90 percent of their business on a commission basis or under a partnership agreement. To cover their costs (and average profit) the foreign-trade enterprises are entitled to officially established commission rates or allowances for overhead. Moreover, they are entitled to pass on directly certain incurred costs. Last year, in accordance with the regulations, commission payments were reduced to 40 percent in comparison with the preceding years. The allowances for overhead should also have dropped to that level, because in terms of content and intended purpose they are the same as commissions. However, the allowances for overhead dropped to only 80 percent in comparison with the preceding year, and thus the investigated foreign-trade enterprises dealing in commodities had about 700 million forints of questionable earnings.

In cases when the foreign-trade enterprises are entitled to pass on their incurred costs, they may bill only for their actual expenses. However, the foreign-trade enterprises dealing in commodities passed on 386 million forints more than their actual expenses. The foreign-trade enterprises in the area of agriculture and the food industry accounted for 23 percent of this unauthorized billing; the foreign-trade enterprises dealing in basic materials, for 18 percent; in light industry, for 17 percent; and in the machine industry, for 42 percent.

In addition to trading for their own account, the foreign-trade enterprises operate on a commission basis or as partners. For their activity the foreign-trade enterprises get a commission or allowance for overhead (as discussed above), or they split the profit with the partner enterprise. An increase in

earnings resulting from such a sharing of the profit is a favorable phenomenon because it is a concomitant of a greater price profit or, in the case of a closer relationship, of an improvement of efficiency and particularly of profitability at the producer enterprise.

#### Declining Share in Partnership Deals

To improve the efficiency of foreign trade, changes have occurred in the relations between the producer and the foreign-trade enterprises: partnerships and bureaus have been formed. Many enterprises have modified and streamlined their earlier contractual relations. This process has been the most pronounced at the foreign-trade enterprises in light industry, but is noticeable also at the foreign-trade enterprises in agriculture and the food industry, and at the ones dealing in basic materials. In the machine industry this process did not unfold. The reason, we believe, is that it is becoming more and more difficult to sell machine-industry products on capitalist markets, and therefore the foreign-trade enterprises are striving to participate in such sales without assuming any risk, merely on a commission basis.

The findings of our investigation seem to indicate that the foreign-trade enterprises which prefer partnership relations are assuming a greater burden than previously, and this is reflected also in the development of the profits of the partnerships. As a result of all this, the earnings of the foreign-trade enterprises have also undergone change.

The fact that the foreign-trade enterprises' profit on partnership deals dropped to 78 percent of their profit from such deals in 1979--i.e., their losses increased--indicates that the foreign-trade enterprises are receiving a smaller share of the profit but are assuming greater risks than previously. For the profitability of export has not declined, as evident from the improvement of the export price index. However, an increase of the foreign-trade enterprises' profit on import partnership deals is not desirable, because this would have an adverse effect on the efficiency of production activity, through higher production costs and a lower profitability of export.

1014

CSO: 2500/358



## SIX MONTH PRODUCTION FIGURES ASSESSED

Warsaw ZYCIE GOSPODARCZE in Polish 19 Jul 81 pp 1, 2

[Article by Ch. M.: "The Half-Way Mark"]

[Text] Usually, we have titled our discussion of economic results for the first half of the year as "The Half-Way Mark." Of course, we meant the half-way mark of the annual plan. Today, it is tempting to put a different meaning on this traditional title. Are we at the half-way mark of the economic crisis, or will the falling trends continue until the end of the year, or perhaps there is a chance that the current unfavorable, to put it mildly, trends can be reversed.

It is hard to deduce any favorable signs from the statistical data. The 9th Congress is debating a program to solve the crisis--perhaps a spark of hope will come out of it. Before we turn to that hope, let us look at the hard economic realities as they were in the first half of the year. Granted, that we need hope badly in our difficult everyday life but this hope must be based on facts and not only on desires and wishes.

Production of goods worsened in June in most respects. Sales of industrial production was 16.9 percent (over 48 billion zloty) lower than in June last year and 0.1 percent lower than in May this year. As there were more working days in June than in May, the decrease for comparable period of working time was 2.6 percent in relation to May of this year. The Main Statistical Office keeps monthly record of the quantity of production for the most important products. That record shows that the list of products whose production was lower this year than the last is getting rapidly longer and the index of decrease is generally in double digits. Every month it is more difficult to find any products whose production rate exceeds 100.

The overall data for industrial production in the first 6 months are shown in Table 1.

[Table 1 on following page]

Table 1

Item	1981	
	Jan-Jun	Jul
	Increase (decrease) in comparison with the corresponding period in 1980	
Production sold:		
Actual index	-12.5	-16.9
Index adjusted for comparable working time	- 8.0	-16.0
Average employment	- 0.3	- 0.3
Wage fund	24.1	29.2
Average monthly pay, net	24.5	29.7
Production, sales per employee:		
Actual index	-12.3	-16.6
Index adjusted for comparable working time	- 7.7	-15.7

Let us also look at some economic data by month shown in Table 2.

Table 2

Rate of Production by Month in 1981  
(the corresponding period in 1980 = 100)

Item	Jan	Feb	Mar	Apr	May	Jun	Jan-Jun
Sales of industrial production (in constant prices)	90.3	90.3	90.4	88.5	82.7	83.1	87.5
Wage fund in socialized enterprises and industrial plants	117.3	119.4	127.2	127.2	128.4	129.2	124.1
Production of hard coal (in tons)	77.8	78.5	81.2	82.0	72.3	77.7	78.2
Purchase of cattle for slaughter in tons of meat	93.2	88.6	75.8	85.0	77.2	69.7	81.6
Supply of goods for the market (in current prices)	101.2	101.9	99.1	103.2	94.8	97.1	100.5
Export (in foreign exchange zlotys)	77.6	79.8	78.7	93.3	80.0	86.5	82.6
Import (in foreign exchange zlotys)	99.6	101.4	97.9	93.6	80.7	88.8	92.6

Commenting on these two tables is not a pleasant task. They show that everything went down except wages which went up exceptionally fast. It is obvious that under these conditions, the increase of wages becomes symbolic. Perhaps this is not the best term but the economists will have to invent a term for an increase of wages which formally is a real increase (retail prices increased no more than 10 percent) but which does permit to buy anything. The significance, of course, is not in the name but in the socio-economic impact of this phenomenon.

The excess of demand over supply exists not only on the domestic market but practically in the whole economy. The demand for raw materials, energy, imports, investments is much greater than the capacity to supply, the availability of means of payment, etc. This is the kind of demand which is not merely theoretical but which is backed up by possession of zlotys (albeit also theoretical). It cannot, however, be termed effective demand because both the population and the enterprises cannot buy what they need. The accumulation of enterprises' demand is decreasing fast this year but this is primarily a result of decreasing production and only secondarily a result of higher costs caused by higher wages.

It is most difficult to find an answer to the question that are the reasons for the current state of affairs. The explanation that everything is due to the errors of economic policies in the 1970's is not enough. The negative results of the shortage of supplies grow, there is a cumulative effect. There are no mechanisms that automatically counteract against the falling trends of production and the responsiveness of the economy to central direction is limited. This is due, among other things, to the fact that the command economy management methods used hitherto are changing very slowly.

Without absolving anybody for the slowness in preparing the report on the national economy and the program for solving the crisis, or to put it in more general terms, without absolving anybody for the certain paralysis at higher management levels, it is necessary to state that our work is poorer, not better, than prior to the August [1980] upheaval. The productivity is falling, and not only in places where there are shortages of raw materials and energy. The organizational effectiveness in many enterprises and institutions is deplorable and the ability to adjust to the changing conditions is practically nil.

In most individual instances excuses can be found--when a shipment of cigarettes arrives to a neighborhood tobacco store, all workers stand in line rather than at their machines. People cannot be expected to be flexible when rigid regulations are still in force. The new causes of the crisis are superimposed on the old ones and this deepens the social and economic effects of the crisis.

The above mentioned automatic developmental mechanisms can start working only after the introduction of economic reforms, i.e. in a year or 18 months. Agriculture and small producers could be an exception. However, to attain social effects from increased agricultural production requires radical changes in the operation of many elements outside agriculture. To cite an example, if we are not able to complete the overhaul of sugar mills and if we do not furnish them with coal in the next few weeks (and no one knows where to get that coal). The expected good grain harvest and high yield of sugar beets, will not help to improve the supply of sugar because we will not be able to refine the beets into sugar.

Similar situation exists in other sectors. In the investment and construction sector, despite the decrease of outlays by 19.7 percent, there is no sign of more intensive work. In the first 6 months, the production plan of socialized construction industry was fulfilled by 64.9 percent. This index is a bit higher than last year but this is hardly a consolation since dwelling units valued at about 50 billion zloty, which should be serving the people and the economy are still not ready.

In the whole economy, the residential construction industry completed 82.1 thousand dwellings. In relation to the plan, this may be considered a passable result but the term "passable" is relative because, first, this is still about 35 thousand units less than during the first 6 months of the previous year and, second, it is very disturbing that the, so-called, raw [preliminary] stages are poorly advanced which to a great extent determines the next year results. It is enough to say that in seven voivodships not one new block of apartments was started during the first 6 months. A similar situation prevails in the public facility construction, that is investments in health service, education and culture.

We discuss the domestic market situation (its statistical aspects) in another article on this page. Here, we note that this June the monetary income of the population was 28.4 percent higher (35.7 billion zloty higher) than in June last year and the goods supplied to the domestic market were lower by 2.9 percent (3.4 billion zloty lower). As the quantities of cattle bought for slaughter decreased, the amount of meat was insufficient to honor fully all ration coupons.

In June, it was noted that the sale of goods other than food increased rapidly which (in view of the lack of attractive products) became "flight from money" and took place at the expense of a decrease of stocks.

In foreign trade, we note that both export and import are still lower than last year. In June, export was 13.5 percent lower than in June 1980 and import was 11.2 percent lower; the decline of imports applies only to the Second Payment Region (capitalist countries and Yugoslavia) by 25.2 percent but export declined to both the First Region by 6.8 percent and to the Second Region by 20.9 percent.

These are the hard economic facts. And what about the hopes mentioned at the beginning? The government program for how to get out of the crisis includes the statement that, if the program is implemented successfully the highest pre-crisis level of national income can be reached in 5 to 6 years. This sounds depressing, especially that this 5 to 6 year period necessary to make up for the losses is conditional, i.e. if things go right. If they do not the period will be even longer. As an economist I have to accept this reasoning, as a citizen, however, accepting the correctness of this reasoning, I believe something else is more important. It is more important to break the now prevailing trends and to reverse the process of accumulating negative events and to achieve some positive results at least in some sectors. This could stimulate social forces on which depends most of all (incomparably more than on the authorities) how long and how costly will be the way out of the crisis. This is the reason why our society places such high hopes on the ongoing debates of the 9th Congress. Although the Congress cannot produce one more ton of coal nor another pack of cigarettes, it can do a much more important thing: organize social activity, break the feeling of impotence and provide a clear, even if painful and difficult, view of what can be achieved and under what conditions. If this happens, the symbolic half-way mark may become the starting point and if this does not happen then the economy may collapse with all the consequences for our social life and the future of our nation.



## EMPHASIS ON FASTER DISCOVERY, RECOVERY OF NEW COAL DEPOSITS

Bucharest REVISTA ECONOMICA in Romanian No 34, 21 Aug 81 pp 21-22

[Article by Stelian Comeaga and Gheorghe Draghici: "Shortening the Period for Putting the New Coal-Extraction Capacities into Operation"]

[Text] The vast process of economic and social development of the country requires bigger quantities of raw materials. Coal, as a main source of energy, occupies an important place among them. Consequently, the specialists and all the working people in the field of geology and coal extraction are engaged in devising and applying new technologies for developing the existing capacities and putting into operation as soon as possible new facilities that would cause the fulfillment and overfulfillment of the targets for this year and for the whole 5-year period.

## Intensification of the Activity for Opening up New Deposits

According to the targets set, the production of electric power achieved in thermoelectric power stations using coal and bituminous shale will be over 55 percent in 1985, as compared with 40 percent in 1980. Along with and in connection with this, a 9-percent average annual rate of growth of coal production is expected during the current 5-year period, it being estimated that a net level of 85.6 million tons of coal will be attained in the last year of the 5-year period. As part of these provisions, the production of lignite and brown coal, the main power-producing coals, will be 2.7 times higher than that achieved in 1980, reaching 75 million tons in 1985.

The expected levels will be achieved mainly through the development of the existing capacities. However, over 40 percent of this growth devolves upon the new capacities consisting of mines or quarries that are to be put into operation during this 5-year period at deposits where the determination of the reserves was the object of geologic exploration work during the previous 5-year period. However, the achievement of the stipulated production of lignite and brown coal will also require the opening and the putting into operation of mines and quarries at deposits where the geologic research is in progress, for distinguishing the reserves, including determining their qualitative characteristics. With this end in view, it is necessary to perform important boring work, lab determinations and analyses regarding both the coalbeds and the rock below and above them.

In consequence, the research activity is oriented toward discovering new coal deposits in all the basins in the country that have favorable conditions, with the volume of prospecting and exploration work being continually on the rise (156 percent more in 1981 than in 1979). Thus, the mining and boring work has been increased in the Cimpulung-Muscel, Vilcea, Mehedinti, Caransebes, Lugoj-Sinersig, Sfintu Gheorghe-Covasna, Bihor and Salaj basins and the research has begun in the zones of Palticeni-Boroaia, Suceava County, Oas, Satu Mare County, Lapus, Maramures County, Caiuti, Bacau County, and others. At the same time, as part of the concern for finding new solutions for growth in coal production, complex work was initiated and has been going on intensely in the field in 1980-1981 in all zones with coal under investigation, there being selected as priority ones those where it is possible to create conditions for immediately proceeding to extraction.

For each of the above-mentioned perimeters there have been drawn up work programs that include the volume of mining and boring work, the timetables for performing it, the executing units within the MMPC [Ministry of Mines, Petroleum and Geology], and the surface construction (roads, overhead powerlines, water regulation and so on) in the execution of which the participation of specialized units within other ministries and central and local bodies is necessary. In order to make it possible to form a picture, albeit a partial one, we will mention that, for 1980-1981 alone, the mining and boring work needed for investigating the respective zones and proceeding as soon as possible to coal extraction totals the following volumes: over 100,000 meters of boring for geologic research, about 73,000 meters of underground mining work and 2,255,000 cubic meters of excavation in quarries.

Due to the geologic composition of our country's territory and, within it, the distribution of the formations bearing or liable to contain coalbeds, the great percentage of the geologic research work for power-producing coal occurs in the expansion of the deposits under exploitation in Oltenia, the biggest coal basin in our country. At the same time, the concern for the discovery and wide utilization of mineral resources within the framework of the industrial development of all areas of the country has necessitated that, in the geologic research programs, importance be accorded to the sedimentary basins in order to identify new coal accumulations. With this end in view, geologic research is being done in those basins where the presence of coal has been identified or those with a prospect of such a substance, there being taken into account in scheduling the research the zones and areas short in energy resources. Thus, prospecting and exploration work for coal is in the process of being done in Vilcea County, in the expansion of the Schitu Golesti basin in Arges County, in the sub-Carpathian zone in Wallachia and Moldavia, in the western part of the Moldavian platform, in the Birsei and Oas basins, in the Silvania depression, in the basins of Almas Valley, Borod and Lugoj, in the Bozovici depression and so on.

The majority of the coal accumulations identified in the above-mentioned basins are in difficult geologic conditions for mining, due mainly to the location of the coalbeds below the hydrostatic level, having above or below them layers of sand with water under pressure. For this reason, the cases are frequent when the coalbeds come into direct contact with the water-bearing sand or are located between layers of unstable sand or plastic argillaceous rock.

Consequently, the planning and execution of the work of exploiting the deposits—each of them in specific geologic conditions—raise a great number of aspects.

Analyses and solutions of the most efficient kind are needed for detailing the knowledge of the potential of the reserves. For instance, at the coal deposit identified in the southwestern part of the Oltenia basin, in the Prunisor-Izvorul Onestilor-Livezile perimeters, represented by two lignite beds of 2-4 meters in thickness, where the sand below and above them is hard to dry, research with mining work and experimental faces along with research through boring has been adopted. In another part of the country, in the Birsei basin, where a lignite deposit in which the coaly complex reaches 25 meters in thickness has been identified, a zone with conditions for exploitation by quarrying has been found. Since its cover consists of deposits with big lithologic variations, the geologic research is being detailed through the making of experimental trenches from which samples are to be taken for burning tests in thermoelectric power stations and, ultimately, for determining the quality of the reserves extracted under industrial conditions.

In all cases, special programs drawn up according to facilities, with the application of extraction technologies using suitable modern means, are planned or completed for raising the degree of knowledge of the reserves to the level needed for the requirements for planning and executing the mining work of exploitation.

#### Concentration of the Efforts on Priority Objectives

Besides the steps taken to intensify the geologic research work and increase the speed of the boring and mining work, the research programs adopted must also lead to the shortening of the periods for putting into service the reserves of coal in the deposits. The planning of the research work has been provided by the exploration organizations in collaboration with the specialized institutes, with the sites and dimensions of this work being established, so that, in the case of favorable results, the work can also be used for future operations. In this way, as early as the research phase, conditions are created for shortening the period for attaining the planned production capacities at the above-mentioned facilities and, along with the research work, even extracting amounts of coal that will help to reach the planned outputs.

Moreover, after the conclusion of the geologic research and for the purpose of continuing and finalizing the work in the investment activity, there follows the stage of preparing and approving, at intervals, the technical and economic documentation for substantiation. For this purpose, planning staffs are set up that, in proportion to the distinguishing of the base of reserves, must draw up as soon as possible, at a high level of efficiency and quality, the plans for proceeding to exploit the new coal mines and quarries. The reduction of the period for proceeding to production is facilitated as early as the phase of conceiving the geologic research, in that both the mining work of geologic research and some surface work connected with it are placed and dimensioned in such a way that they can also be used for the future investment and production activity, with them being taken over as fixed assets.

Of course, in order to do the geologic, investment and extraction work, various pieces of equipment suited to the specific conditions in this sector of activity must be provided completely and in time, by redistributing either the existing equipment or that stipulated in the procurement plans. While some equipment for the digging of mines and the extraction of coal from underground has been provided in this way, in order to perform the greater volume of geologic work it is necessary to supplement the work force and correlate it with the other indicators of the plan and



with the level of technical equipping and to utilize it with higher productivity and greater efficiency in all units and workplaces.

The implementation of the programs of activities, both for increasing the production of coal and for intensifying the geologic work and starting as early as possible the production activity in the new zones, necessitates some actions and measures such as:

The improvement of the degree of knowledge of all basins with prospects of coal by concentrating the efforts in order to raise the quality of the geologic and geophysical prospecting in all stages. In this regard, it is necessary to intensify the prospecting and geophysical methods, both of the kind of those used at present and, especially, through the introduction of the specific seismic methods (detailed seismometry) for determining as exactly as possible the coalbeds and their position and dimensions. The application of the improved methods must be extended to all prospective zones in the country, depending on the needs for deciphering the concrete geologic conditions and on the situation of the apparatus required;

The providing of equipment and materials (conveyor belts, dump trucks of various types, cutters and excavators, rollers, metal shacks and others) by the MATMCGFF [Ministry of Technical-Material Supply and Control of the Management of Fixed Assets] and the MICM [Ministry of the Machine Building Industry] and the suitable supplementation of the equipment plan with apparatus capable of achieving, quantitatively and qualitatively, performances of speed and precision at the level of the world technology in this field;

The more rapid issuing of the approvals for access to the land involved and for starting the work in all the basins, with the consent of the holders, on the basis of the decisions of the county people's councils, the MAIA [Ministry of Agriculture and the Food Industry] and the MEFMC [Ministry of Forestry Economy and Construction Materials];

The execution of the surface work (roads, overhead powerlines, telephone systems, river regulation and so on) at the proper time and under conditions of greater quality by the MEE [Ministry of Electric Power], the MTTc [Ministry of Transportation and Telecommunications], the National Water Council and some county people's councils (Vilcea, Arges, Dambovita, Covasna, Salaj, Timis, Caras-Severin and Mehedinti) and the obtaining of the complete local cooperation needed for providing the housing and social conditions for the worker personnel called upon to perform lengthy actions, sometimes of a pioneering nature, in zones less emphasized thus far.

12105  
CSO: 2700/370

END



**END OF**

**FICHE**

**DATE FILMED**

7, OCT 1981

